

PERSONAL INCOME TAXES

Understanding Taxes and the
Knowledge to Complete a Tax Return

TAXES YOU PAY



THE CAREER CHOICE

- Intrinsic vs Extrinsic Benefits
- Common Benefit Packages
- What to Look For
- Tax Incentive Benefits
- How and When are you Paid?



BECOMING EMPLOYED

- The Hiring Process
- Inform the Employer of your Tax Preferences
- Federal and State W-4
- Withholdings
- Identify your Withholding Allowances

Form W-4 (2011)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete **only** lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2011 expires February 15, 2012. See Pub. 505, Tax Withholding and Estimated Tax.

Note. If another person can claim you as a dependent on his or her tax return, you cannot claim exemption from withholding if your income exceeds \$950 and includes more than \$300 of unearned income (for example, interest and dividends).

Basic instructions. If you are not exempt, complete the **Personal Allowances Worksheet** below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multiple jobs situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 501, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the **Personal Allowances Worksheet** below. See Pub. 919, How Do I Adjust My Tax Withholding, for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-ES, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 919 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 919 for details.

Nonresident alien. If you are a nonresident alien, see Notice 1382, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Check your withholding. After your Form W-4 takes effect, use Pub. 919 to see how the amount you are having withheld compares to your projected total tax for 2011. See Pub. 919, especially if your earnings exceed \$130,000 (Single) or \$160,000 (Married).

Personal Allowances Worksheet (Keep for your records.)

A Enter "1" for yourself if no one else can claim you as a dependent **A** _____

B Enter "1" if:
 • You are single and have only one job; or
 • You are married, have only one job, and your spouse does not work; or
 • Your wages from a second job or your spouse's wages (or the total of both) are \$1,500 or less. **B** _____

C Enter "1" for your spouse. But, you may choose to enter "-0-" if you are married and have either a working spouse or more than one job. (Entering "-0-" may help you avoid having too little tax withheld.) **C** _____

D Enter number of dependents (other than your spouse or yourself) you will claim on your tax return **D** _____

E Enter "1" if you will file as head of household on your tax return (see conditions under Head of household above) **E** _____

F Enter "1" if you have at least \$1,900 of child or dependent care expenses for which you plan to claim a credit **F** _____
(Note. Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.)

G Child Tax Credit (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information.
 • If your total income will be less than \$61,000 (\$90,000 if married), enter "2" for each eligible child; then less "1" if you have three or more eligible children.
 • If your total income will be between \$61,000 and \$84,000 (\$90,000 and \$119,000 if married), enter "1" for each eligible child plus "1" additional if you have six or more eligible children **G** _____

H Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.) ► **H** _____

For accuracy, complete all worksheets that apply.
 • If you plan to itemize or claim adjustments to income and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.
 • If you have more than one job or are married and you and your spouse both work and the combined earnings from all jobs exceed \$40,000 (\$10,000 if married), see the Two-Earners/Multiple Jobs Worksheet on page 2 to avoid having too little tax withheld.
 • If neither of the above situations applies, stop here and enter the number from line H on line 5 of Form W-4 below.

Cut here and give Form W-4 to your employer. Keep the top part for your records.

Form W-4 **Employee's Withholding Allowance Certificate** OMB No. 1545-0074

Department of the Treasury Internal Revenue Service **2011**

► Whether you are entitled to claim a certain number of allowances or exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of this form to the IRS.

1 Type or print your first name and middle initial. Last name 2 Your social security number

Home address (number and street or rural route) 3 ☐ Single ☐ Married ☐ Married, but withhold at higher Single rate.
 Note. If married, but legally separated, or spouse is a nonresident alien, check the "Single" box.

City or town, state, and ZIP code 4 If your last name differs from that shown on your social security card, check here. You must call 1-800-772-1213 for a replacement card. ► ☐

5 Total number of allowances you are claiming (from line H above or from the applicable worksheet on page 2) 5 _____

6 Additional amount, if any, you want withheld from each paycheck 6 \$ _____

7 I claim exemption from withholding for 2011, and I certify that I meet both of the following conditions for exemption.
 • Last year I had a right to a refund of all federal income tax withheld because I had no tax liability and
 • This year I expect a refund of all federal income tax withheld because I expect to have no tax liability.
 If you meet both conditions, write "Exempt" here ► 7 _____

Under penalties of perjury, I declare that I have examined this certificate and to the best of my knowledge and belief, it is true, correct, and complete.

Employee's signature (This form is not valid unless you sign it.) ► Date ►

8 Employer's name and address (Employer: Complete lines 8 and 10 only if sending to the IRS.) 9 Office code (optional) 10 Employer identification number (EIN)

For Privacy Act and Paperwork Reduction Act Notice, see page 2. Cat. No. 102209G Form W-4 (2011)



COMPLETE YOUR W-4

CAN I BE EXEMPT FROM PAYING INCOME TAXES?

Yes You Can!

If you meet the requirements of the Federal and State Governments.

Federal

State - Iowa

Figure 1-A. Exemption From Withholding on Form W-4

Note. Do not use this chart if you are 65 or older or blind, or if you will itemize your deductions, claim exemptions for dependents, or claim tax credits. Instead, see the discussions in this chapter under *Exemption From Withholding*.

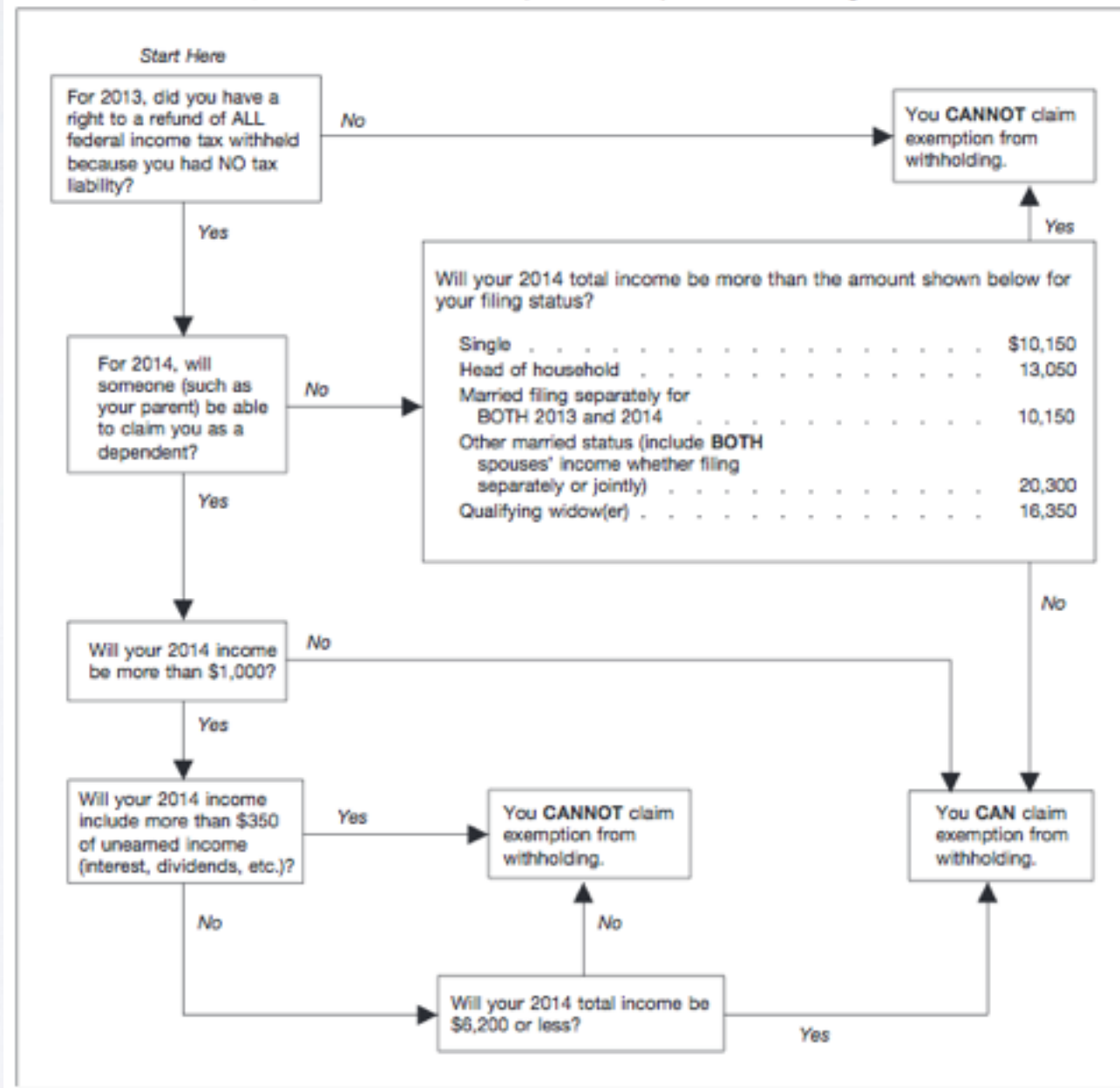
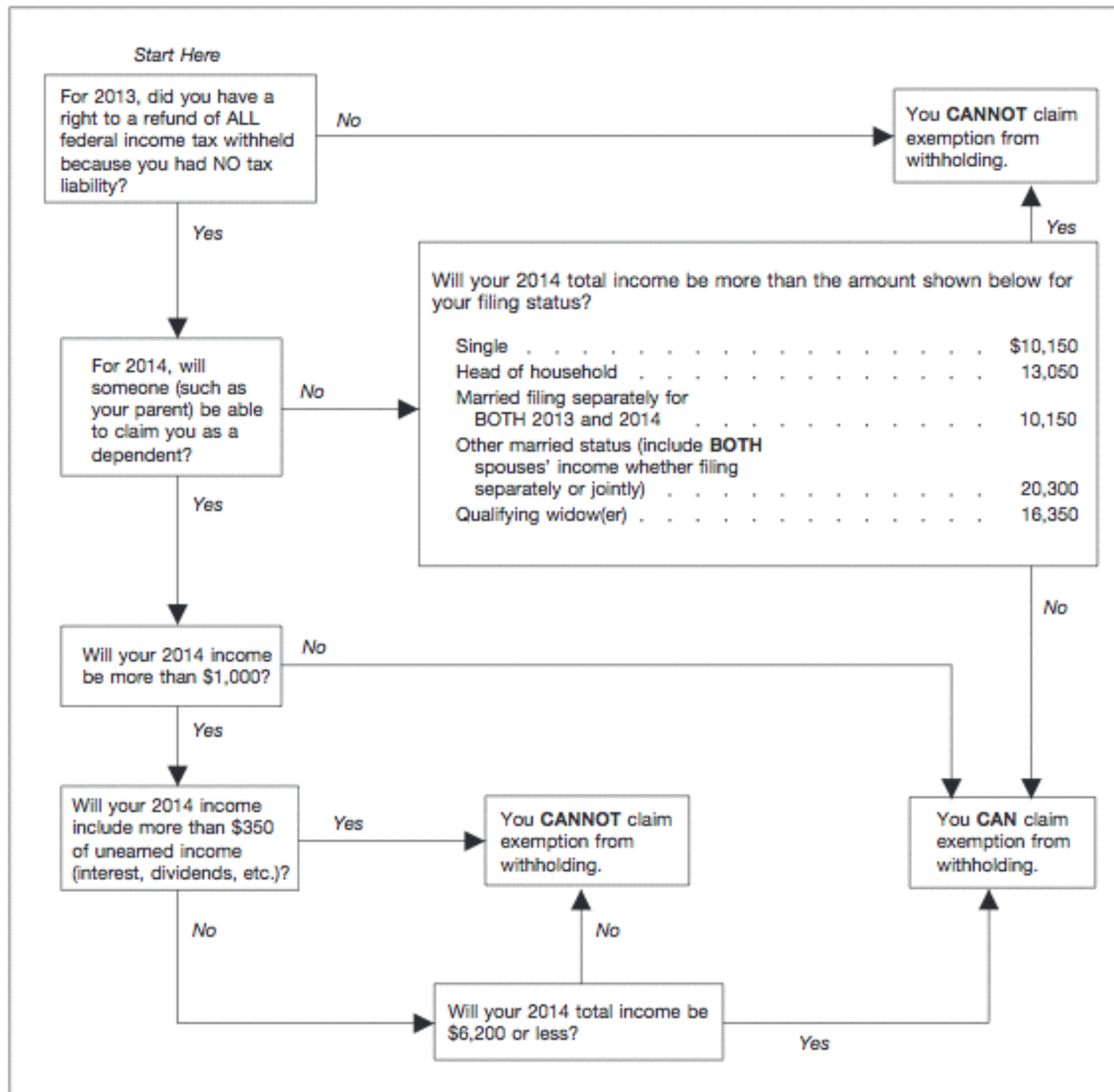


Figure 1-A. Exemption From Withholding on Form W-4

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GETTING PAID

Pay Periods

- Weekly, Bi-Weekly, Semimonthly, Monthly

Employer's Determine Income Taxes by:

- Withholdings,
- Marital Status,
- Pay Period
- Tax Tables

PreTax Deductions

- Retirement Accounts - (401(k), Traditional IRA, IPERS)
- Flex Spending (Medical, Dental, Optical Day Care)

THE W-2

- January 31
- Employee Wages/Tax Summary
- Source for Tax Return
- Each Employer

COMPLETING YOUR TAX RETURN

Common Forms

1040EZ, 1040A, 1040

Common Deductions/Credits

Reduce your Income, less Tax Liability


Ex.) Student Loan Interest/Donations,
Tuition

Attach Form 1116 if required
dependent care expenses. Attach Form 2441
ty or the disabled. Attach Schedule R
Attach Form 8863
contributions credit. Attach Form 8880.
Attach Form 5695
Attach Form 8901 if required
Form 8839 ☐ Form 8859
Form ☐ Form
-its

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Form **1040** Department of the Treasury
U.S. Individual Income
For the year Jan. 1–Dec. 31, 2006, or o
Your first name and initial
If a joint return, spouse's first name
Home address (number and street). If
City, town or post office, sta
Check here if you, or your sp
1 ☐ Single
2 ☐ Married filing jointly (even if only
3 ☐ Married filing separately. Enter s
and full name here.
6a ☐ Yourself. If someone can claim
b ☐ Spouse
c Dependents:
(1) First name Last name

COMPLETE A TAX RETURN

Form 1040EZ		Department of the Treasury—Internal Revenue Service Income Tax Return for Single and Joint Filers With No Dependents (99)		2013	OMB No. 1545-0074
Your first name and initial		Last name		Your social security number	
If a joint return, spouse's first name and initial		Last name		Spouse's social security number	
Home address (number and street). If you have a P.O. box, see instructions.				Apt. no.	 Make sure the SSN(s) above are correct.
City, town or post office, state, and ZIP code. If you have a foreign address, also complete spaces below (see instructions).					Presidential Election Campaign Check here if you, or your spouse if filing jointly, want \$3 to go to this fund. Checking a box below will not change your tax or refund. <input type="checkbox"/> You <input type="checkbox"/> Spouse
Foreign country name		Foreign province/state/county		Foreign postal code	

Itemized Deductions vs. Standard



TAX SUPPORT AND RESOURCES

Internal Revenue Service

E-FILE YOUR TAXES

- Over 90%
- Software or Online Options
- File for Free - State/Federal

STATE INCOME TAX RETURN

- File for State Income Taxes, after Federal
- IA 1040
- Complete after your Federal Taxes